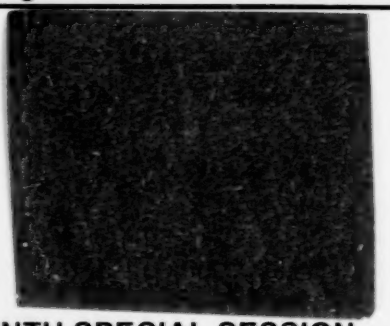
Distr.
GENERAL

IDB.17/24
12 June 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board
Seventeenth session
Vienna, 23-27 June 1997
Item 6 of the provisional agenda



FOLLOW-UP TO THE SEVENTH SPECIAL SESSION

Financial situation of UNIDO

Report by the Director-General

Summary

Provides information on the status of the regular budget, separation indemnity reserve and operational budget.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	CURRENT SITUATION	3 - 22	2
	A. Regular budget	3 - 10	2
	B. Regular budget performance report - measures taken	11 - 16	3
	C. Operational budget	17 - 19	4
	D. Separation indemnity reserve	20 - 22	4
II.	ACTION REQUIRED OF THE BOARD	23	6

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.97 24465 (E) (a:\1997\pmo.2)

Distr.: 18 June 1997

Introduction

1. Owing to the decision of the Board at its seventh special session to hold the thirteenth session of the Programme and Budget Committee in September 1997 and the corresponding amendment of the provisional agenda for the seventeenth session of the Board (IDB/S.7/Dec.2), the provisional agenda for the seventeenth session contains neither an item on nor a reporting mandate for the financial situation of UNIDO. The present report is nevertheless submitted under item 6 of the provisional agenda to provide up-to-date information on this important issue and also in consideration of its relevance to the ongoing deliberations concerning the future role and functions of UNIDO.

2. The current financial situation under the regular budget is characterized by the irregular payment patterns of assessed contributions by Member States and a weak (limited available) cash position. In order to ensure that the Organization remains solvent, restrictions on expenditures and a consequent slowdown of budgetary implementation has been the norm throughout the 1996-1997 biennium. Additionally, in view of the continued uncertainty concerning the financial ceiling of the 1998-1999 budget, it would be prudent to make financial provisions to fund possible future staff separations. The financial situation under the operational budget has continued to improve owing to an increasing level of technical cooperation delivery and strict control over expenditures.

I. CURRENT SITUATION

A. Regular budget

3. Cash resources available to the Organization to fund its regular activities fell to a dangerously low level of $0.9 million at the end of 1996. Payment of some liabilities was deferred until late December due to the cash shortfall.

4. During the first four months of 1997, assessed contribution income remained at levels comparable to 1996. While the collection rate of assessed contributions reached 96.5 per cent at the end of 1996, the 1997 projection includes some payments which may not materialize due to changes in the payment patterns of some Member States. Although month-end cash balances during 1997 have been reasonably satisfactory, projections for the remainder of the year show that cash balances at the year-end will again be at unsatisfactorily low levels, and are not expected to cover outstanding unliquidated obligations or permit any replenishment of the Working Capital Fund.

5. The status of assessed contributions to the regular budget as of 31 May 1997 is shown in conference room paper IDB.17/CRP.5, annex I. As of that date, unpaid contributions for the period 1986 to 1996 amounted to $61,376,864 and AS 451,386,668 (equivalent to $37,304,697 at an exchange rate of US$ 1 = AS 12.10) for a total of $98,681,561. Unpaid contributions for the current year amounted to $4,998,230 and AS 472,835,220 (equivalent to $39,077,303) for a total equivalent of $44,075,533. Total outstanding contributions, therefore, amounted to $142,757,094.

6. As of 31 May 1997, the collection rate amounted to 54.1 per cent of the 1997 assessment, 46.7 per cent of which related to current year collections and 7.4 per cent to prior year collections. As of 31 May 1997, 37 Member States had made full payments of 1997 assessed contributions, as shown in table 1 below. In addition, 30 Member States had made payments of prior year assessments, which was comparable to that date in 1996.

Table 1
Payment of current year assessments
(As of 31 May 1997)

	1996	1997
Number of Member States	169	168
No payment	109	118
Partial payment	28	13
Full payment	32	37

7. The above information shows an improvement in the number of Member States making payments in 1997 compared to 1996. The information, however, emphasizes the problem of uncertainties with respect to payment patterns of Member States which in turn makes it difficult for the Secretariat to plan its cash flow. The problem is exacerbated by the depleted cash base.

8. Member States are therefore urged to meet their obligations without delay. In this regard, 68 Member States currently have had their voting rights suspended since contributions due from these Members are in excess of the amounts prescribed in Article 5.2 of the Constitution. At the same time last year, 59 Member States had lost their right to vote.

9. The status of advances to the Working Capital Fund is shown in document IDB.17/CRP.5, annex II. Unpaid advances as of 31 May 1997 amounted to $38,456. The Fund presently has no cash balance and it is not expected to be replenished to its level of $6,750,000 during 1997.

10. Annex III to document IDB.17/CRP.5 shows the general fund cash flow analysis for 1997 as of 31 May

1997. The cash flow analysis indicates a projected cash balance of $3.8 million by year end. This assumes relatively similar income patterns compared to 1996 and continued expenditure savings. Cash availability continues to be a crucial issue, taking into account continued uncertainties with respect to income, expenditure and potential budgetary reductions at year end.

B. Regular budget performance report - measures taken

11. Financial implementation performance for the period January 1996 to May 1997 was strongly influenced by the low levels of available cash and projections of cash income from the payment of assessed contributions.

12. The financial indicators for the regular budget and contingency plans are presented in figure 1 and table 2 below. A more detailed presentation of the financial implementation by major programme and major object of expenditure is shown in annex IV to document IDB.17/CRP.5.

13. The ability of the Secretariat to implement the programme and budget fully and in a planned and systematic manner is dependent on the availability of cash resources. As described in section A above, an adequate level of cash resources has not been available during the current biennium to implement the approved budget in full.

14. Therefore, it has proven necessary for management to take action to reduce cash outflows through cutbacks in expenditures. In implementing expenditure reduction measures, the emphasis has been on reducing administrative and support costs rather than costs in substantive programmes. Notwithstanding the serious financial situation, the appropriations approved for the Regular Programme of Technical Cooperation and the Industrial Development for Africa (IDDA) supplementary activities have been retained and full implementation of these activities is anticipated in the biennium.

15. Expenditure reductions have been largely achieved through:

(a) Restrictions of external recruitment to posts with specialized expertise in priority substantive programmes or essential managerial functions. This has led to an increasing vacancy rate in the regular budget. As at 31 May 1997, the vacancy rate for Professional-level posts was 11.2 per cent compared to the budgeted level of 7 per cent. The need to hold posts vacant for budgetary reasons has negatively impacted on the implementation of work programmes, particularly in the Divisions of Human Resource, Enterprise and Private Sector Development, and Industrial Sectors and Environment;

(b) Continued restrictions on the use of general temporary assistance and overtime;

Figure 1

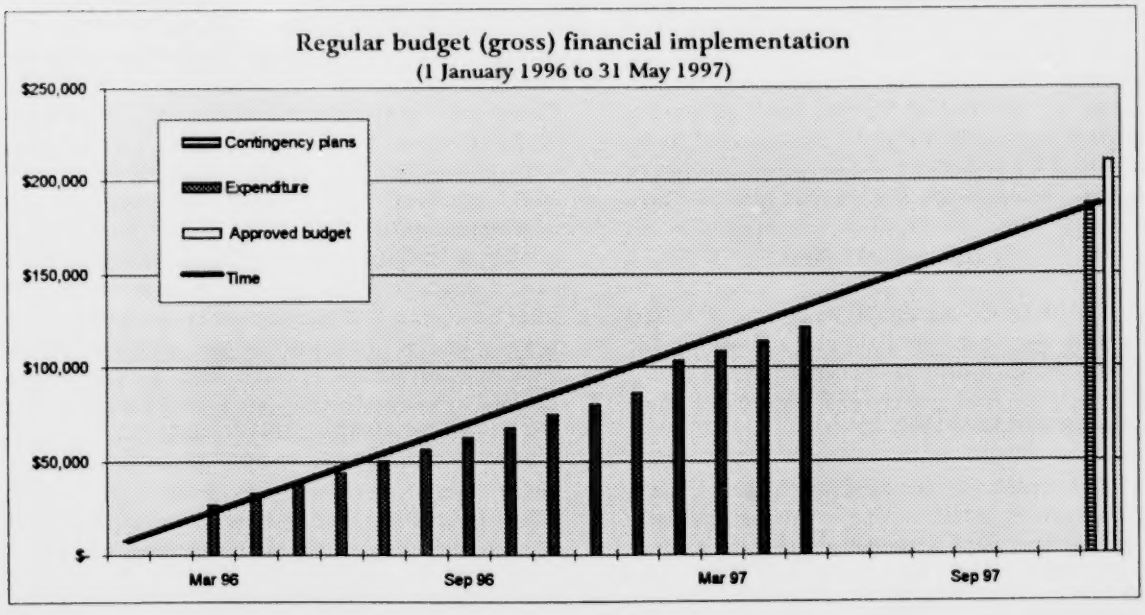


Table 2
Regular budget financial implementation
1 January 1996 to 31 May 1997
(In thousands of US$ at US$ 1 = AS 12.90)

	Approved budget	Contingency plans
Gross		
1996-1997	210,246.6	187,103.2
Expenditure to date	121,033.2	121,033.2
Unspent budget	89,213.4	66,070.0

(c) Savings achieved in travel costs through a reduction of standards of travel of staff and through maximizing the use of cheaper airfares;

(d) The postponement of maintenance work in the Vienna International Centre complex, cutbacks in expenditures for supplies and materials, and replacement of furniture and equipment;

(e) Restricted utilization of consultant services and meeting funds;

(f) Reduced utilization of conference services due to fewer and shorter meetings, and reduced documentation.

16. While the implementation of the above measures will partially offset the cash shortfalls, an underutilization of budgetary appropriations for 1996-1997 will be unavoidable. This means that due to the shortfall in cash resources, the directive of Member States in General Conference decision GC.6/Dec.11, calling for the implementation of the programme and budgets in accordance with the contingency plans will not have been fully met.

C. Operational budget

17. The financial situation of the operational budget has steadily improved during the past six months. The increasing technical cooperation delivery levels experienced during the final quarter of 1996 continued during the first five months of 1997.

18. Notwithstanding the improving delivery levels, a strict control of expenditures together with an increase in the value of the United States dollar against the Austrian schilling will ensure that expenditures will be held below 1996 levels. The surplus achieved for the year to date in 1997 has been used to strengthen the reserves. No new resource allocations will be authorized until the operating reserve has been restored to the level of $4.3 million as approved by the Board in decision IDB.14/Dec.12.

19. The operational budget status report showing actual and projected income, implementation for 1997, together with the estimated reserve balances at year-end, is summarized in table 3.

D. Separation indemnity reserve

20. The separation indemnity reserve was established in December 1995 at a level of $17 million for the purpose of funding and accounting for the costs of the staff reduction exercise. The utilization of the reserve and the unspent balances as at 31 May 1997 are shown in table 4 below.

21. Pending a decision by the policy-making organs on the financial ceiling of the regular budget for 1998-1999, some forward planning may be judicious in anticipation of possible budgetary reductions below the level of zero real growth, particularly in the light of announced changes in membership. In the absence of any clear indication of the level of possible budget reductions, and as a first step, the Secretariat would propose the restoration of the separation indemnity reserve to its original level of $17 million. The reserve would provide the financial authority for the possible separation of staff in a timely and systematic manner in accordance with the staff regulations.

22. The Secretariat intends to present a proposal on the restoration of the separation indemnity reserve to the thirteenth session of the Programme and Budget Committee. The proposal will suggest modalities for the funding (budgetary) and financing (cash) of a restoration of the reserve. As a first step in the planning for possible staff reductions, consideration could be given to approving unutilized balances from prior bienniums to provide the budgetary authority. However, at present, no cash is available in respect of these prior bienniums' balances. Options will therefore need to be developed on possible sources of the required cash resources. Unless cash balances become available from the payment of outstanding assessed contributions, particularly from the United States of America, other options including supplementary assessments on Member States or voluntary advances by Member States may be unavoidable. Such advances would be repaid upon receipt of cash in respect of unutilized balances from prior bienniums.

Table 3
Operational budget status report, 1997
(In thousands of US dollars)

Opening balance of reserve - 1 January 1997			3,374.9
Income			
Actual - January to May 1997	5,980.6		
Projected - June to Dec. 1997	6,070.9		
		12,051.4	
Expenditure			
Actual - January to May 1997	5,740.1		
Projected - June to Dec. 1997			
		11,999.1	
Estimated surplus/(deficit)			52.4
Estimated closing balance of reserve - 31 December 1997			3,427.3

Table 4
Separation indemnity reserve
(In thousands of US dollars)

Approved level of the reserve		
(a) Obligation against 1994-1995 budget appropriation		7,453.3
(b) Unutilized balances of appropriation for 1992-1993		9,546.7
		17,000.0
Utilization (at 31 May 1997)		
(a) Termination costs:		
Disbursements	(13,685.3)	
Obligations	(716.2)	
		(14,401.5)
(b) 1994-1995 obligations not utilized [a]		(567.7)
Balance of the reserve at 31 May 1997		2,030.8

[a] Included in the budgetary surplus for 1994-1995.

II. ACTION REQUIRED OF THE BOARD

23. The Board may wish to consider the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the report of the Director-General on the financial situation of UNIDO (IDB.17/24) containing information concerning the status of assessed contribution advances to the Working Capital Fund, cash flow estimates, regular budget performance, operational budget status and the separation indemnity reserve;

"(b) Urges those Member States that have not yet paid their assessed contributions for the bienniums 1986-1995 to 1996-1997 to do so without delay;

"(c) Appeals to the Government of the United States of America to pay immediately its legal obligations to the Organization of $61.3 million.

Distr.
GENERAL

IDB.17/24/Corr.1
20 June 1997

United Nations Industrial Development Organization

ENGLISH ONLY

Industrial Development Board

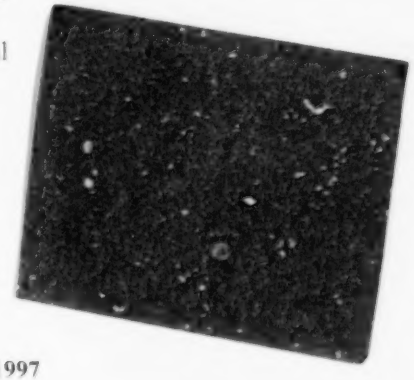
Seventeenth session
Vienna, 23-27 June 1997
Item 6 of the provisional agenda

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION

Financial situation of UNIDO

Report by the Director-General

Corrigendum



Page 5

Replace table 3 by the table appearing below.

Table 3
Operational budget status report, 1997
(In thousands of US dollars)

Opening balance of reserve - 1 January 1997			3,374.9
Income			
Actual - January to May 1997	5,980.6		
Projected - June to Dec. 1997	6,070.9		
		12,051.4	
Expenditure			
Actual - January to May 1997	5,740.1		
Projected - June to Dec. 1997	6,259.0		
		11,999.1	
Estimated surplus/(deficit)			52.4
Estimated closing balance of reserve - 31 December 1997			3,427.3

Distr.
GENERAL

IDB.17/25
23 June 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board
Seventeenth session
Vienna, 23-27 June 1997
Agenda item 6

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO

Progress report of the Chairman of the Intersessional working group on the future role and functions of UNIDO

Mr. István Posta (Hungary), Vice-President of the seventh special session of the Industrial Development Board

Introduction

1. The Industrial Development Board at its seventh special session decided, in its decision IDB/S.7/Dec.3(d), to establish an intersessional working group with equitable geographical representation under the chairmanship of Mr. I. Posta (Hungary), to advance further the process of definition of the future role and functions of UNIDO. In paragraph (f) of the decision, the Chairman of the Intersessional working group was requested to submit a progress report to the Board not later than its seventeenth session. The present report is submitted in compliance with that request.

2. The Intersessional working group met in an organizational session on 9 May 1997 and subsequently met four times (28 May, 16, 17 and 23 June 1997). An informal group, the Friends of the Chair, met five times (14 May and 3, 6, 10 and 12 June 1997).

3. The discussions covered the future activities of UNIDO, under which two main clusters of activities were defined: Strengthening of industrial capacities and Cleaner and sustainable industrial development. A number of activities were identified for discontinuation and other activities were designated as deserving added emphasis. The discussions on the programme and budgets, 1998-1999, centred on format and presentation, a ceiling and a new organizational structure of the Organization. With respect to the latter, a general structure and the functions of senior- and middle-management staff were discussed. The establishment was proposed of an advisory body to provide a mechanism for regular intersessional dialogue between Member States and the Director-General.

4. At the meetings of the Intersessional working group, the Secretariat provided information and advice on the subjects of the future organizational structure of UNIDO, the UNIDO programme on industrial infrastructure development through build-operate-transfer (BOT) projects, on the format and presentation of the programme budget, 1998-1999, and on the activities of the UNIDO offices in Geneva and New York.

5. The results of the work of the Intersessional working group are contained in the Draft business plan on the future role and functions of UNIDO that appears in the annex to the present document.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

Annex

DRAFT BUSINESS PLAN ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO

In the context of the ongoing reform process, the present draft business plan provides the basis for enabling UNIDO to adapt its functions and priorities and orient its activities to the new realities of the changing global economic environment and ensure its viability and efficiency.

UNIDO will concentrate on those support functions in which the Organization has a comparative advantage over other multilateral development organizations and bilateral assistance. Activities will be directed primarily to support institutions rather than to individual enterprises, thus emphasizing upstream activities such as policy advisory services and institutional capacity-building. Support will be provided for the development of small and medium enterprises (SMEs) as the principal means for achieving equitable and sustainable industrial development. Emphasis will be given by UNIDO to the integration of women in industrial development.

UNIDO will provide its support primarily in comprehensive packages of integrated services and will further strengthen its existing capacity in this regard through interdisciplinary team-building.

While sharpening its focus in accordance with the above direction, UNIDO should continue to pursue the implementation of its mandates to support and promote the sustainable industrial development of developing countries and countries with economies in transition. Preserving the universal character of the Organization, UNIDO will give special emphasis to least developed countries, in particular in Africa.

Throughout its programmes, UNIDO will promote international industrial cooperation: between developed and developing countries, among developing countries and between developing countries and countries with economies in transition.

Future activities of UNIDO

The activities of UNIDO will be regrouped in two areas:

A. Strengthening of industrial capacities

1. Promotion of investment and related technologies;

2. Programmes in support of the global forum function and policy advice, including those relating to:

   (a) Industrial policy advice based on action-oriented research;

   (b) Institutional capacity-building at the country and sectoral levels;

   (c) Quality, standardization and metrology;

(d) Industrial information through networking, including information on the transfer of technology;

(e) Industrial statistics.

B. Cleaner and sustainable industrial development

1. Support programmes on environmentally sustainable industrial development strategies and technologies, including on transfer of environmental technologies within industrial subsectors assigned high priority;

2. Development of specific norms and standards relating to environmentally sustainable industrial development strategies and technologies, and implementation of international protocols, agreements and conventions.

The above implies discontinuation of a number of activities:

(a) Activities in the field of privatization;

(b) Separate enterprise-level interventions not linked to the institutional or policy level;

(c) The preparation of project-specific feasibility studies within investment promotion activities, while maintaining a basic training capacity on relevant methodologies;

(d) Promotion of advanced technologies without proven industrial use;

(e) Research and industrial studies which are not clearly target-oriented;

(f) Activities in the field of energy, except those related to improvement of energy-efficiency of industries and to cleaner production;

(g) Activities in non-agro-based industries (engineering, metallurgical and chemical industries), unless related primarily to environmental issues or to agro-based industries;

(h) Services in relation to industrial subsectors which have already been assigned low priority;

(i) General activities related to country-level programming at Headquarters, in light of the future changes in field representation;

(j) Human resources development activities not integrated in a specific project or programme;

(k) Emergency relief activities with no industrial development aspect.

The discontinuation of activities will apply to new projects only. It is understood that approved projects will be implemented in accordance with the relevant project documents.

Concentration of activities

While maintaining its universal character and vocation, a geographical, sectoral and thematic concentration of the activities of UNIDO will be pursued by giving added emphasis to the following:

(a) Services to LDCs, in particular in Africa, with special attention to the regional and subregional level;

(b) Services in support of agro-based industries and their integration through subsectoral linkages into national industrial structures;

(c) Services in support of SMEs and their integration into national industrial structures.

Financing and budget

The format and presentation of the programme and budget document is to be revised to reflect a programmatic approach, in particular by grouping the substantive activities of the Organization into two major programme areas covering (a) the strengthening of industrial capacities and (b) cleaner and sustainable industrial development.

The preparation of the proposed 1998-1999 programme and budgets should be based on the programmes as elaborated in the business plan, reflecting a number of issues, i.e. changes in membership, discontinuation of activities, streamlining the organizational structures and introducing efficiency-enhancing measures. In this respect, an indicative level of 20 per cent and 10 per cent reduction of the budget is proposed for the preparation of the budget proposals.

Budgetary adjustments are to be achieved by:

(a) The introduction of efficiency-enhancing measures, including, *inter alia*, outsourcing of some administrative activities, reduction in the number and/or length of policy-making organs meetings, and reduction in non-staff expenditure items, including travel, publications, consultants and meetings;

(b) The discontinuation of activities;

(c) The streamlining of organizational structures.

It is understood that the implementation of budgetary adjustments could result in costs for staff separations in the programmes affected.

New approaches to (a) enhance funds mobilization, including cost-sharing arrangements for programmes and (b) promote the timely payment of assessed contributions by Member States are to be pursued.

New organizational structure

The structure of UNIDO will emanate from the business plan and, based on the two clusters, will include the following substantive divisions: (a) Investment promotion and institutional capacity-building, and (b) Sectoral support and environmental sustainability. A third component will comprise functions related to

administration, operational support and coordination of field representation. The Office of the Director-General will include a small organizational unit dealing with functions related to policy coordination, external relations, legal advice and internal audit.

In the interest of ensuring a flat organizational structure, the head of one of the three organizational components will be designated, on a continuing basis, to act as deputy to the Director-General, whose responsibilities shall include coordination within UNIDO and acting on behalf of the Director-General, in the case of the latter's absence from Vienna. Also in keeping with the leaner hierarchical structure, authority will be delegated to the maximum extent possible to the middle-management levels of the Organization, whose role would be accordingly strengthened.

[To ensure a greater guiding role by Member States in the reform of UNIDO, consideration will also be given to the utilization of the Enlarged Bureau as an advisory body, that would provide a mechanism for regular intersessional dialogue between Member States and the Secretariat.]

In defining the organizational structure of the Organization, an effective decentralization of activities and strengthened field representation has to be secured. This implies, *inter alia*:

(a) Redeployment of resources and professional staff with required level of expertise from Headquarters to the field;

(b) Appropriate delegation of authority;

(c) Formulation of key functions and responsibilities of field offices.

In this context, subregional offices will be established wherever functionally justified. Contributions from host countries, through cost-sharing or other arrangements, as well as the particular situation of the least developed countries, will be important elements to be taken into account when determining the location of individual field offices.

Functional and programmatic coordination between UNIDO field representation and that of other United Nations bodies have to be improved. UNIDO country offices will be integrated in a unified United Nations representation whenever feasible and cost-effective.

Distr.
GENERAL

IDB.17/26
19 June 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session
Vienna, 23-27 June 1997
Item 12 (a) of the provisional agenda

THE REGIONAL DIMENSION: AFRICA, IN PARTICULAR THE SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

Alliance for Africa's Industrialization

Report by the Director-General

Summary

Presents key decisions related to the Alliance from the thirteenth meeting of the Conference of African Ministers of Industry, and highlights key elements of the Plan of Action for the Alliance.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	LINKAGE WITH IDDA	3 - 9	2
II.	ADOPTION OF THE PLAN OF ACTION	10 - 16	3
III.	IMPLEMENTATION MECHANISM	17 - 19	4
IV.	MANAGEMENT AND COORDINATION	20	4
V.	PROGRAMME DEVELOPMENT	21 - 22	4
VI.	FINANCING	23 - 25	4
VII.	ACTION REQUIRED OF THE BOARD	26	5
Annex	Declaration on Africa's Industrialization		6

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.97 24517 (E) (a\1997\pmo 2)

Introduction

1. At its sixteenth session, the Board adopted decision IDB.16/Dec.13, which, *inter alia*, requested the Director-General to submit to the Board at its seventeenth session a more detailed report on the Alliance for Africa's Industrialization in which a clear managerial and financial structure of the Alliance and its linkages with the Industrial Development Decade for Africa (IDDA) would be provided, to ensure a coherent and consistent approach. The present document is submitted in compliance with that decision. In addition, the document provides information on the Alliance Plan of Action developed during the thirteenth meeting of the Conference of African Ministers of Industry (CAMI) and subsequently adopted by the Organization of African Unity (OAU) Summit.

2. It is important to underline that the Alliance and its Plan of Action are fully consistent with the new orientations and priorities for UNIDO as emanating from ongoing consultations among Member States. In particular, the four Alliance priorities provide a clear focus for UNIDO activities in Africa and are in concordance with the key activities identified by Member States. Similarly, the geographic focus of the Alliance is by its very nature on Africa, and in particular on least developed countries. The Alliance requires UNIDO to place emphasis on its global forum function and four selected priority areas, namely: (a) capacity-building for industrial competitiveness; (b) linking industry and agriculture to enhance productivity and competitiveness in agro-industries; (c) promoting growth in small and medium enterprises; and (d) promoting private investment and other forms of international industrial cooperation.

I. LINKAGE WITH IDDA

3. The Alliance for Africa's Industrialization was conceived by African countries as a means of accelerating the industrialization process in Africa and enabling African countries to emerge from the extended period of economic stagnation experienced by most countries during the past two to three decades.

4. At the thirty-second session of the OAU Summit held at Yaoundé, Cameroon, in July 1996, the Council of Ministers of OAU in resolution CM/Res.1663 (LXIV) recognized the Alliance as "a dynamic mechanism for the attainment of the goals and objectives of the Second IDDA".

5. The Alliance was launched at Abidjan, Côte d'Ivoire, on 23 October 1996, with 10 African Heads of State and Government and 37 Ministers and Vice Ministers of Industry assembled at the invitation of the President of Côte d'Ivoire. They adopted the Abidjan Declaration, confirming the full ownership of the Alliance by Africans themselves, including the private sector, and emphasizing the linkages between the Alliance and other major United Nations initiatives for Africa as well as with the Abuja Treaty on the establishment of the African Economic Community.

6. The Heads of State and Government also requested UNIDO to act as interim secretariat for the Alliance and invited African Ministers of Industry "to elaborate, with the involvement of the African private sector, regional and subregional organizations and with the support of UNIDO and other relevant international organizations, a plan of action to be adopted by CAMI during its forthcoming thirteenth meeting at Accra, Ghana, in May 1997, to enable the operationalization of the Alliance." Finally, they also requested that the plan of action be submitted to the OAU Assembly of Heads of State and Government at its next summit at Harare, Zimbabwe.

7. The Alliance is seen not as a replacement of the Second IDDA programme but rather as a mechanism to supplement existing government support services and promotional efforts by helping to mobilize additional resources.

8. The goals of the Alliance for Africa's Industrialization are:

(a) To develop African-generated industrial development visions and strategies addressing, directly and effectively, Africa's principal economic problems of low industrial output, food insecurity, unemployment, poverty and environmental degradation;

(b) To stimulate increased international commitment to African industrial development and generate support for sustainable industrial growth and competitiveness in Africa through strengthening of national capacities at the policy, institutional and enterprise levels;

(c) To promote regional industrial relationships aimed at economies of scale and meeting the emerging demands in regional and international markets, within the context of environmentally sustainable development.

9. In consideration of the above, four thematic priorities were established for the Alliance:

(a) Capacity-building for industrial competitiveness;

(b) Linking industry and agriculture to enhance productivity and competitiveness in agro-industries;

(c) Promoting growth in small and medium enterprises;

(d) Promoting private investment and other forms of international industrial cooperation.

II. ADOPTION OF THE PLAN OF ACTION

10. The thirteenth meeting of CAMI took place at Accra, Ghana, from 26 to 28 May 1997, following the meeting of the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa, which met from 19 to 23 May 1997 under the theme "Africa's industrialization and the twenty-first century". As called for by the Abidjan Declaration, the Conference formulated and adopted the Plan of Action for the Alliance (see document IDB.17/CRP.4).

11. The meeting was attended by representatives from 41 African countries. In addition, the following regional and subregional organizations/institutions and intergovernmental organizations attended the meeting: African Regional Organization for Standardization (ARSO), African Regional Intellectual Property Organization (ARIPO), Organization of African Intellectual Property (OAPI), Economic Community of West African States (ECOWAS), Western African Monetary Union (UEMOA), Commonwealth Secretariat and World Association for Small and Medium Enterprises (WASME). The non-governmental organizations that attended included the African Federation for Women Entrepreneurs and the Ghana Association of Women Entrepreneurs.

12. In his message to the Conference the Secretary-General of the United Nations stressed the fact that Africa must face the challenge of maintaining peace and stability in the region by pursuing its own path to development and requesting international support to its efforts. He saw the Alliance as complementing the United Nations System-Wide Special Initiative for Africa, especially as it placed emphasis on forging partnerships between Governments and the private sector at the national, subregional and international levels.

13. The thirty-third Summit of OAU at Harare, Zimbabwe, 2-4 June 1997, in the Declaration on Africa's Industrialization adopted the Plan of Action as the implementation mechanism for a refocused IDDA II programme. (The full text of the Declaration is provided in the annex to the present document.) The implementation of the Plan of Action for the Alliance will be based on guiding principles mainly derived from the lessons learned from the mid-term evaluation of the Second IDDA[1] and the recommendations adopted by CAMI. These guiding principles are:

(a) Ownership of the Alliance by Africans themselves;

(b) Demand orientation and bottom-up approach in programme development;

(c) A dynamic relationship between national and subregional levels;

(d) Constructive partnerships involving new actors, from within and outside Africa, fully committed to the industrialization of Africa;

(e) Better integration into the world economy.

14. Seven objectives have been assigned to the Plan of Action by African leaders:

Objective 1: Transformation of African countries to newly industrializing countries during the next 15-20 years;

Objective 2. Establishment of Industrial Partnership Councils (IPCs) in each country to serve as a consultative mechanism between government and the private sector for the formulation of industrial development policies and strategies;

Objective 3: Industrial transformation of natural resources, particularly through the development of agro-industries;

Objective 4: Coherent strategies for the development of competitive small and medium industries;

Objective 5: Enhancement of institutional capacity-building, including human resources development, at the policy, institutional and enterprise levels, and integration of women in industry;

Objective 6: Regional and subregional integration in line with the provisions of the African Economic Community;

Objective 7: Mobilization of domestic and foreign direct investments and official development assistance to enable the financing of industrial programmes.

15. A matrix contained in the Plan of Action (IDB.17/CRP.4, annex II) indicates for each objective and action proposed the actors concerned as well as a time-frame for the implementation. In this context, UNIDO in cooperation with OAU, the Economic Commission for Africa (ECA) and other United Nations and international

[1] Information on the mid-term evaluation is provided in document IDB.17/22.

organizations concerned is requested to give full support to these efforts, especially at the national and subregional levels.

16. In order to get the Plan of Action rapidly in motion, the matrix also indicates short- and medium-term actions to be taken, with a clear priority given at the beginning to: establishment of or strengthening private and public sector consultative mechanisms (IPCs), improved coordination between the various stakeholders and partners of the Alliance, the setting up of a Steering Committee, the strengthening of UNIDO staff and financial resources directly involved with the implementation of the IDDA programme and Alliance Plan of Action, and the full integration of the Plan of Action within UNIDO priorities and programmes.

III. IMPLEMENTATION MECHANISM

A. Country level

17. The key formulation and implementation mechanism for the Plan of Action at the national level will be the Industrial Partnership Councils (IPCs), consisting of representatives of the private sector and government. UNIDO will assist countries in the establishment of IPCs, which will be responsible for the design of national Alliance plans of action. These will include specific programmes in line with national priorities for which the necessary resources will be mobilized. UNIDO Country Directors will be particularly involved in providing the support necessary throughout this exercise. The need for an adequate UNIDO field representation thus becomes more pressing, as this will represent a critical factor in supporting the achievement of the objectives of the Alliance at country and regional levels.

B. Regional level

18. A special Group of Patrons composed of Heads of State was proposed by CAMI and approved by the OAU Summit to serve as advocates for African industrialization.

19. To ensure adequate African involvement in the policy- and decision-making process of the Alliance and in order to institutionalize the link between the Bureau of CAMI and the Secretariat, an Alliance Steering Committee was established by CAMI and endorsed by OAU. The Steering Committee will consist of:

(a) Ministers of Industry of those countries whose Presidents are members of the Group of Patrons;

(b) The five Ministers of the Bureau of CAMI;

(c) Five eminent representatives of the African private sector.

IV. MANAGEMENT AND COORDINATION

20. A high-level task force has been established in the UNIDO Secretariat to provide overall guidance on UNIDO support for the Alliance and to ensure effective harmonization and coordination with other relevant UNIDO programmes and cooperating partners of the Alliance. This task force, which meets once a month, is chaired by the Director-General thus reflecting the high priority accorded to the initiative.

V. PROGRAMME DEVELOPMENT

21. Since the launching of the Alliance in October 1996 and while preparing the Plan of Action that was subsequently adopted by CAMI, UNIDO has allocated $490,000 from regular budget funds initially earmarked for IDDA supplementary activities. These funds were utilized for initial needs assessment and preparatory assistance in selected countries under the four central themes of the initiative referred to in paragraph 9 above.

22. The initial needs assessment and preparatory assistance is based on programme concepts discussed during the Addis Ababa and Abidjan expert group meetings held in September and October 1996 in the preparation for the launch of the Alliance. These assessments will be further elaborated into country programmes and projects that will form the basis for the preparation of donor round tables in the course of the biennium 1998-1999.

VI. FINANCING

23. The Abidjan Declaration strongly emphasizes African ownership of the Alliance. However, African ownership needs to be translated into concrete actions by African leaders to support the initiative. In this regard, a proposal for the establishment of a special fund for the Alliance was discussed and approved by CAMI and fully endorsed by OAU. Consultations will be conducted by the Chairman of CAMI among Member States and funding agencies to raise pledges to the fund.

24. Resolution 3 (XIII) adopted by CAMI requests the Director-General to "organize during the last quarter of 1998 a meeting of donors under the leadership of the African Development Bank, in cooperation with the World Bank, the European Union and the United Nations Development Programme, as well as other donors, in order to decide on the measures to be taken for financing programmes elaborated in the framework of

the Plan of Action for the Alliance for Africa's Industrialization."

25. In addition, other financing options will also be considered:

(a) Development of high-impact integrated programmes under the four central themes with a view to attracting significant donor funding;

(b) Sectoral investment promotion forums at the national and subregional levels to attract private investment and foreign direct investment into agro-related industries. In this regard, subsectoral studies will be launched at country level to identify commodities with high revealed comparative advantage and agro-industrial ventures with a high potential for attracting private investment and foreign partners.

VII. ACTION REQUIRED OF THE BOARD

26. The Board may wish to endorse the Plan of Action for the Alliance as the implementation mechanism for a refocused Second IDDA programme. In doing so the Board may further ensure that the Plan of Action and the Declaration on Africa's Industrialization adopted by African Heads of State and Government shall serve as an integral framework for the future UNIDO strategy, policy and action for Africa, and particularly for its least developed countries.

Annex

DECLARATION ON AFRICA'S INDUSTRIALIZATION

Adopted by the Organization of African Unity Assembly of Heads of State and Government, Harare, Zimbabwe (2-4 June 1997)

The Assembly of Heads of State and Government of the Organization of African Unity, meeting in its Thirty-third Ordinary Session in Harare, Zimbabwe from 2-4 June 1997,

Conscious of the important role of industrialization in the economic transformation of a nation, and noting with concern the precarious state of African industries,

Recalling the motion of support for the United Nations Industrial Development Organization adopted by the Thirty-first Assembly of OAU Heads of State and Government held in Addis Ababa, Ethiopia in June 1995, and the Abidjan Declaration of October, 1996 establishing the Alliance for Africa's Industrialization,

Conscious of the need to involve the donor community and the other United Nations agencies in the formulation and implementation of the Alliance Programmes:

1. **DECIDES** to redouble efforts to promote sustainable industrial developments to overcome major economic and social constraints and achieve a greater stake in the global market place as called for in the Lagos Plan of Action and the Abuja Treaty Establishing the African Econonic Community;

2. **REAFFIRMS** its belief that without sustainable industrial development, African economies will be condemned to persistent economic crisis, dependence on humanitarian relief and deepening poverty, despair and political unrest with dire consequences for global peace and stability;

3. **NOTES WITH APPRECIATION** the significant role played by the United Nations Industrial Development Organization, in harnessing the joint forces of government and the private sector to foster competitive industrial production, develop international industrial partnerships and promote socially equitable and environmentally friendly industrial development;

4. **IS APPRECIATIVE** of the significant reforms undertaken by UNIDO in recent years and **CALLS** on the international community and partners in development to strengthen the Organization and maintain it as the UN specialized agency focusing on promoting industrial development through institutional capacity building, investments, environmentally friendly technologies, skills enhancement and facilitating partnerships and initiatives to support global industrial cooperation in developing countries and countries in transition;

5. **TAKES NOTE** of the findings and recommendations of the mid-term evaluation of the Second Industrial Development Decade (IDDA-II) Programme, and **ADOPTS** the Plan of Action of the Alliance for Africa's Industrialization as the implementation mechanism for a refocused IDDA-II Programme;

6. **CALLS ON** Member States and the Regional Economic Communities, with the full involvement of the African private sector and with the technical support of UNIDO and other relevant international organizations, to elaborate national and regional plans of action for the Alliance;

7. **APPROVES** the creation of a Patron Group of Africa's Industrialization, consisting of five Heads of State and Government;

8. **APPROVES** the creation of a Steering Committee—including its structure, composition, technical committees and supporting secretariat, to coordinate and guide the activities of the Alliance and develop strategies to promote the Alliance in Africa, in other developing regions and in developed countries;

9. **INVITES** each African country to take appropriate measures at the national level to incorporate the objectives of the Alliance in multilateral as well as bilateral cooperation programmes;

10. **REQUESTS** the Director-General of UNIDO, in cooperation with the Executive Secretary of the ECA and the Secretary-General of OAU, to organize preferably by the end of 1998, a meeting of donors under the leadership of the African Development Bank, in cooperation with the World Bank, the European Union and the United Nations Development Programme, as well as the other donors, in order to decide on the measures to be taken for financing programmes elaborated in the framework of the Plan of Action for the Alliance for Africa's Industrialization.